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Julean Arnold and American economic perspectives of China : 1902-1946

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JULEAN ARNOLD

AND

AMERICAN ECONOMIC PERSPECTIVES OF CHINA 1902-1946

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ABSTRACT

JULEAN ARNOLD
AND AMERICAN ECONOMIC PERSPECTIVES OF CHINA 1902-1946

by Robert Yang

This thesis examines the economic viewpoints of Julean Arnold in the context of contemporary American outlooks and present-day scholarship on China's economy of the first half of the twentieth century. Arnold served as an United States foreign service officer in China from 1902 until 1940, primarily as the commercial attaché. Accordingly, Arnold's work papers and personal correspondence provide insight into American attitudes toward China.

The economic conditions of China during this turbulent time are the subject of intense controversy. One group of scholars believes that China's economy during this period was experiencing growth which included the early stages of the development of a modern sector. The opposition argues that the Chinese economy was stagnant, if not regressing. Arnold's views and those of many of his contemporaries closely match those of the group of scholars who assert that China's economy was developing.

ACKNOWLEDGEMENTS

The Master's thesis is the final step of an effort that began in 1989 when I enrolled at San Jose State University to study history. During this five and a half year period, many people have helped in my endeavors and deserve recognition and my heartfelt gratitude.

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I also thank the dedicated teachers at San Jose State University, particularly Professor E. Bruce Reynolds who guided this thesis. In addition, I am obligated to my aunt, Hsu Chiu-hsiang, for, among many other things, teaching me Chinese.

Finally and most importantly, I would like to acknowledge my parents for their unflagging support over the years, perhaps not understanding why their son would want to study history, but providing indispensable help nonetheless.

Note: Wade-Giles Romanization will be used in this paper to render Chinese names except for those proper names that are commonly spelled in a different manner.

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INTRODUCTION

There has been much debate over the state of the Chinese economy between 1911, when the Ch'ing dynasty was overthrown and a republic was proclaimed, and 1937, when Japan and China began a full-scale war. One side asserts that pre-World War II China grew economically and was beginning to modernize its economy. The opposing side contends that China's economy stagnated, or declined, and that its economic structure did not modernize in any perceivable manner. This argument touches on issues that not only concern China's history, but also reaches into the supposed universal domain of economics, and in particular, the nature of economic modernization and growth. Furthermore, the argument has gone beyond the domain of history and other academic disciplines into the sphere of international and national politics and ideological loyalties.

Americans who study China have found this controversy particularly contentious for a variety of reasons. The United States has long regarded itself as a prototype of modernization, both economically and culturally, and has considered itself to be China's guide in this pursuit. In addition, the Chinese market has been considered by many

nations, including the United States, to have great value because of its enormous population and plentiful natural resources. Consequently, the United States paid close attention to and involved itself with China's affairs, both out of a sense of paternalism and self-interest.

China's success or failure in becoming a prosperous and, in the western sense, modern nation took on a personal significance for certain groups of Americans who had ties to China, chiefly merchants, missionaries, and diplomats, the so-called "open door constituency." Julean Arnold, an American government official who served in China from 1902 to 1940 (and for twenty-six years as the commercial attaché) was among them.

Arnold very strongly adhered to what the "open door constituency" advocated and believed, almost to the point of militancy. An examination of the views and work of Julean Arnold, the first commercial attaché for China appointed by the United States and one of the longest-serving American diplomats ever to work in China, provides insight, from an American point of view, into the controversial issue of economic modernization in China during this turbulent and critical period in China's history.

CHAPTER ONE

BACKGROUND HISTORY OF CHINA DURING THE EARLY TWENTIETH CENTURY

China played a major role in the deterioration of relations between the United States and Japan in the decades preceding World War II. Japan's growing power and ambition, which began to manifest themselves in the late nineteenth century, were directed toward its Asian neighbors, and in particular, China. This threat against Asia, which was a significant market for American products and a source of raw materials and inexpensive labor, concerned the United States.

Japan began to assert its power by vanquishing China in the Sino-Japanese War of 1894-1895. For its victory spoils, it took Taiwan away from China and removed Korea from China's sphere of influence, among other concessions. Later, Japan also defeated the Russian Empire in a 1904-5 war, gaining additional privileges and leverage on the Asian continent, particularly in Manchuria. In 1915, with the European powers occupied by World War I, Japan secretly presented China with the "Twenty-One Demands," an ultimatum which would have, in effect, ceded China's sovereignty to Japan. This helped motivate the United States to increase

its involvement in Asia, leading to the Washington Conference treaties, which were signed in 1921 and 1922.

These treaties were intended to curb Japanese aggression by recognizing Japan's status as a Pacific power and at the same time restricting it to actions within the limits delineated by the treaties. The Washington Conference treaties recognized China's "independence and integrity," and also obligated the signatories to "maintain the principle of equal opportunity, and to provide an environment for the development of a stable government."[1] The United States, clearly very concerned about its position in the Pacific region, considered Japan its primary threat in this area and sought to contain it using diplomatic means.

Why was China perceived by these two nations as so important? The primary reason was economic. Japan regarded China as the key to its economic future because Japan believed that the natural resources of its home islands were too limited to allow it to expand its power. In addition, much of its land was not agriculturally viable. As for the United States, it also believed that China had great economic potential and wanted to keep the "Open Door" open for the presumed bountiful trade opportunities that would

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[1]Akira Iriye, The Origins of the Second World War in Asia and the Pacific (London: Longman Group UK Limited, 1987), 2.

result.

These two nations' optimistic evaluations of China's economic value contrasted with the horrendous problems that the China of the first half of the twentieth century was experiencing. John Fairbank, the distinguished historian of China, described the situation during the "warlord" era (1916-1928), the middle of this period, as follows: "China's government deteriorated, the people suffered, and Chinese society after a century of decline reached a nadir of demoralization."[2]

China underwent tremendous changes during this period. Politically and militarily, there was the emergence of Chinese nationalism, the fall of the Ch'ing dynasty in 1911, the demise of Yuan Shih-k'ai in 1916, the constant battling among numerous warlords and other regional power holders, the Kuomintang's Northern Expedition of 1926 and 1927 to reunify the country, the bitter struggle between the Kuomintang and the Communist Party for supremacy, and the periodic skirmishing with Japanese forces, which erupted into a full-scale war with Japan in July 1937.

While this violence and uncertainty continued, China was also experiencing wrenching changes in its cultural institutions. China recognized that it had fallen behind

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[2]John Fairbank and Edwin Reischauer, China: Tradition and Transformation (Boston: Houghton Mifflin Company, 1978), 423.

the Western nations materially and, as a result, decided that two of its traditional cornerstones, Confucianism and a government based on the absolute rule of an emperor, were contributing factors to its decline and should be replaced. Even after this however, China still struggled to find new institutions to replace the old. The May Fourth Movement, which began in 1919, was one of a growing number of attempts to reform or overthrow the old order.

Prominent intellectuals such as Hu Shih, Sa Meng-wu, Ho Ping-sung, and Feng Yu-lan vigorously disagreed over what China should do to catch up with the Western powers. In articles such as "The Proclamation of the Cultural Construction on a Chinese Basis" from conservatives Sa Meng-wu and Ho Bing-sung, to the "On the So-called Cultural Construction on a Chinese Basis" manifesto from Westernization advocate Hu Shih, and "On the City and the Village" from Marxist theorist Feng Yu-lan, one can see the varied approaches these writers took in addressing the root causes of and the solutions to China's difficulties. As divergent as their views were, however, they all agreed that China had serious problems and that some type of action had to be taken.[3]

One of the principal problem areas cited by these and

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[3]Chih-p'ing Chou, Joanne Chiang, and Der-lin Chao, Advanced Reader of Modern Chinese: China's Own Critics (Princeton: Princeton University Press, 1993), 56-101.

other intellectuals was the poor rural situation. In particular, they "focused their attention on the shortage of food production, the inequality of land distribution, and the plight of the peasants."[4] Ramon Myers states that "Fang Hsien-t'ing of the Nankai Research Institute in Tientsin counted 102 monographs and 251 periodicals published between 1920 and 1935 dealing with the land problem."[5] In China's pursuit of modernization, one of its many goals was to raise up the backward peasantry, which comprised the vast majority of the Chinese population. Estimates suggest that approximately three percent of the people lived in cities of over 30,000 during the middle of the nineteenth century.[6] The number of urban Chinese grew more quickly after 1870 (approximately four to five percent annually for China's six largest cities) due to increasing industrialization which was centered mainly in foreign

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[4]Ramon Myers, The Chinese Peasant Economy (Cambridge: Harvard University Press, 1970), 13.

[5]Ibid.

[6]Gilbert Rozman, Urban Networks in Ch'ing China and Tokugawa Japan (Princeton: Princeton University Press, 1973), 60, 272 and G. William Skinner, "Regional Urbanization in Nineteenth-Century China," and "Cities in the Hierarchy of Local Systems," in The City in Late Imperial China, ed. G. William Skinner (Stanford: Stanford University Press, 1977), 229, 287 quoted in Thomas Rawski, Economic Growth in Prewar China (Berkeley: University of California Press, 1989), xxiii.

concession areas.[7] These peasants, the foundation of China's economic system, generally lived at subsistence levels, supporting themselves by farming and by handicraft production, such as weaving cloth. A considerable percentage of them were also illiterate.

Despite China's lack of political order, ongoing civil unrest and constant fighting, and despite the fact that China's peasants could barely produce enough to keep themselves alive, let alone generate a surplus with which to buy a substantial amount of imported products, the United States and Japan both considered China important enough economically to risk jeopardizing the existing peaceful relations the two countries had with each other. The significance of this is even more apparent when one takes into account that the United States traded more with Japan than with China, and that the United States was, at the time, Japan's principal trading partner.

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[7]Myers, The Chinese Peasant Economy, 13.

CHAPTER TWO

PRESENT-DAY ECONOMIC PERSPECTIVES

Since World War II ended, there has been much debate over China's economic condition in the few decades which preceded the war. One group of China scholars considers the prewar years to have been a period of economic stagnation, if not decline. This group is most notably represented by Douglas S. Pauww and Philip C. C. Huang. An opposing camp regards this same period to be one of gradual economic growth, accompanied by the beginnings of modern industrialization, a view closer to the predominant opinion held by contemporary observers. Ramon Myers and Thomas Rawski are two of the more prominent proponents of this viewpoint.

Beyond simple opinion however, this controversy has also been colored by ideological and political concerns. The group advocating the stagnation viewpoint generally includes the more liberal of the Sinologists. Their opposition, some with connections to the Chinese Nationalists, tends to have a more conservative perspective. Furthermore, the Communist victory over the Kuomintang in China's bitterly contested civil war, and the subsequent establishment of Communist Party rule in China proper and a

Nationalist government on Taiwan, has done little to lessen the effects the underlying motivations that both sides have had on this debate.

Ramon Myers in "How Did the Modern Chinese Economy Develop? -- A Review Article" summarizes the historiography of the Chinese economy between 1870 and World War II. He states that studies done in the 1960s and the 1970s generally asserted that "the rural economy's output per capita declined, with only modest expansion of a small, modern sector restricted to railroads and manufacturing firms, and that this modern sector declined during the great world depression of the 1930s."[8] The explanations for economic regression were "exploitation or the misdistribution of wealth."[9] In other words, those with power and wealth, landlords, merchants, military rulers, officials, foreign powers, et cetera, took advantage of the powerless and destitute peasantry by organizing the economic structure so that the peasantry would be unable to rise above a subsistence level of existence while they continued to reap the profits. However, after 1970, studies appeared which contradicted this viewpoint.

An increasing number of scholars since 1970 have

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[8]Ramon H. Myers, "How Did the Modern Chinese Economy Develop? - A Review Article," Journal of Asian Studies 50 (August 1991): 605.

[9]Ibid.

claimed that there was modest but steady economic growth in the rural sector, which was accompanied by the beginnings of a small modern sector.[10] This interpretation has, in turn, been questioned. Once again, economic exploitation and unequal distribution of wealth have been raised to suggest the deterioration, or at least stagnation, of the early modern Chinese economy.

Douglas S. Paauw, in a 1952 article, "Chinese National Expenditures During the Nanking Period," assesses the effect of Kuomintang financial policy on the Chinese economy between 1928 and 1937. Although Paauw does not directly address the issue of economic modernization, his study of Kuomintang fiscal policies touches on some of the key elements of modernization. In his thesis he asserts that the Kuomintang's utilization of its financial resources during the Nanking decade had a deleterious effect on the Chinese economy. He believes that "fiscal policies were predominantly repressive of economic development; they were not designed to alleviate the traditional economic burden on the peasant nor to promote the growth of industry."[11]

In Paauw's view, the Nanking government was fiscally irresponsible. It expended far more than it collected in

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[10]Ibid.

[11]Douglas S. Paauw, "Chinese National Expenditures During the Nanking Period," Far Eastern Quarterly 12:1 (November 1952): 3.

revenues, with a full one-fourth of its total expenditures being supported by deficit financing.[12] Furthermore, it did not maintain control over how the money was spent, disregarding its own budgets and allowing large-scale corruption through an accounting system which "undoubtedly provided opportunity for loose use of government funds and personal influence in the actual employment of government income."[13] Although official expenditures constituted only a small percentage of the Chinese economy, varying between 2.1 and 4.8 during the Nanking decade,[14] Paauw argues that "as these expenditures increased . . . in the last two years of the Nanking period, a very definite inflationary trend appeared."[15] As a consequence, in borrowing beyond its means and administering an irrational tax structure for generating revenue, the government's gross mismanagement "jeopardized its financial stability."[16]

The tax mechanism imposed by the Kuomintang government was regressive in nature, Paauw argues, putting the greatest financial burden upon the peasantry.

Revenues which were almost exclusively collected from

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[12]Ibid., 17.

[13]Ibid., 8.

[14]Ibid., 5.

[15]Ibid., 20.

[16]Ibid., 6.

> the lower income groups through a regressive system of indirect taxation were distributed to the upper income bondholding classes, primarily consisting of a limited number of wealthy Chinese industrialists and bankers.[17]

Not only did the Kuomintang encumber the peasants with burdensome taxes, but it also hampered industrial growth as well by borrowing a substantial portion of the funds that would have been otherwise available for industrial investment. Although "the Nanking government officially proclaimed its policy on providing industrial capital at low cost to investors; its actual effect on domestic credit was the reverse of its avowed policy."[18] Paauw concludes "that the resources which were withdrawn for governmental use were by and large drawn from productive private uses,"[19] thereby impeding the modernization of China's economy.

Philip Huang, in The Peasant Family and Rural Development in the Yangtzi Delta, 1350-1988, closely examines the economic conditions of the rural regions around Shanghai. He concludes that, even in what was probably the most commercialized area in China during the first half of the twentieth century, no "transformative" growth occurred. Using the term "transformative" to mean "only dramatic advances in productivity or returns per workday, the heart

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[17]Ibid., 17.

[18]Ibid., 19.

[19]Ibid., 13.

of modern economic development,"[20] he argues that "what happened instead were commercialization without rural development and urban industrialization without rural development."[21]

Huang asserts that the classic models of Adam Smith and Karl Marx in which industrialization drives modern economic development do not fit the actual events in China. According to these theories, industrialization in the city of Shanghai should have caused the surrounding rural areas to have undergone transformative change, but Huang contends that there was no such effect. Therefore, the Chinese situation does not conform to the Smithian and Marxist models which were derived under different conditions in the West. He is, in effect, denying the universality of two of the most important economic theories concerning industrialization and arguing that China cannot necessarily be analyzed with Western-originated concepts.

In the region surrounding Shanghai, Chinese peasants "turned to commercialized crop production and handicrafts," which were higher yielding activities than planting food for personal consumption, seemingly an indication of transformation. However, according to Huang, "[the

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[20]Philip C. C. Huang, "A Reply to Ramon Myers," Journal of Asian Studies 50 (August 1991): 632.

[21]Ibid., 629.

peasants] did so in order to survive against shrinking farms under relentless population pressure."[22] The Chinese peasants did not become wealthier because their labor brought smaller, not greater returns, and they were forced to work harder to maintain a subsistence level existence. Farmland was cultivated more intensively and the plots were smaller because more people lived on the same amount of land and had to be fed from its yield. As a result, the land produced lower returns for an equivalent amount of effort than previously. Huang states that the total output in rural areas increased, but this was due to additional labor input, that is, a larger labor force and possibly more work per person. He distinguishes between growth and development, requiring development to bring with it significantly greater productivity, which is the opposite of what happened. Therefore, he believes that although the total output grew, the economy did not develop. Huang terms this situation "involutionary" commercialization.[23]

Myers disagrees with Huang's conclusions. He supports what he calls the "accommodative" approach, which emphasizes the compatibility of economic modernization with the

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[22]Ibid.

[23]Ibid., 629-630.

Confucian heritage.[24] This "accomodative" position assumes the existence of three sets of phenomena. The first is some realization of economic goals such as:

> a sustained pattern of annual labor productivity increases along with continuous increases in the marginal value product of labor; increasing income returns to labor; savings, capital accumulation, and investments that increase productivity . . . ; living standards that steadily rise above subsistence. . . .[25]

The second set of characteristics are

> traditional culture orientations furthering economic rationality, highly competitive factor and product markets, including a sophisticated system of economic contracting, and state policies accommodating, if not lubricating, the private sector's flow of production and distribution.[26]

Finally, there should be "a pattern of increasing commercialization, specialization, and market integration."[27] Myers finds that the above criteria have been sufficiently met to make a convincing case for economic modernization in the period from 1870 to 1937.

Thomas Rawski, in his book, Economic Growth in Prewar China, has the most optimistic perception of the Chinese economy from the beginning of the twentieth century to 1937 of any of the China scholars discussed. While many

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[24]Myers, "How Did the Modern Chinese Economy Develop? - A Review Article," 622.

[25]Ibid., 621.

[26]Ibid.

[27]Ibid.

sinologists believe that China's economic development stagnated during the first half of the twentieth century, if not regressed, Rawski notes that despite its chaotic political situation, constant warfare, and China's reluctance to adopt Western ways, China's "real aggregate output rose at an annual rate of approximately two percent between World War I and 1937."[28] In fact, he believes that China's "overall growth of manufacturing ... proceeded more rapidly than in contemporary Japan."[29]

Rawski traces the beginnings of modern growth in the Chinese economy to three elements: transportation by machine-powered means, factory industry, and commercial banking. He also states that China's modern economic development started in the 1890s and was centered in two foreign-dominated areas: Shanghai and Manchuria.

Rawski believes that most of the native producer industries owed their start to the foreign manufacturing presence in China.[30] Native modern manufacturing was usually started by entrepreneurs who learned their technical

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[28]Rawski, Economic Growth in Prewar China, xxix.

[29]Ibid., xxx.

[30]Thomas Rawski defines a producer industry as one whose output consists primarily of intermediate and capital goods (examples: machinery, metallurgy, chemical, building materials, energy, and mining sectors), China's Transition to Industrialism (Ann Arbor: The University of Michigan Press, 1980), 1.

skills while working at foreign manufacturing plants or were trained overseas. After they acquired the necessary skills and observed the profit potential of imitating the foreign industrialists, they formed their own manufacturing firms and produced cheaper and lower quality versions of foreign products, often raiding foreign firms for skilled labor. Rawski terms this process "import substitution." Helping to contribute to this process were the needs of the foreign and domestic industrial firms. They required supporting service firms to perform tasks such as maintaining machinery and making replacement parts and other small-scale items. The result was a spreading effect which emanated from a given industrial center, such as Shanghai.[31]

However, this type of trickle-down effect did not apply to Manchuria. Japan had dominated this region since the late nineteenth century and had organized the industrial sector towards supplying Japan's economic needs. The Japanese planned for Manchurian industry to consist primarily of large manufacturing enterprises that existed within a self-contained network with industries situated on the Japanese islands. Consequently, Manchurian manufacturing firms did little to stimulate industrial growth in the areas surrounding them, unlike similar firms

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[31]Rawski, China's Transition to Industrialism, 6-24.

in the Yangtze delta and South China regions.[32]

Rawski opines that one of the reasons for China's growth despite rampant disorder was the "substantial degree of premodern integration."[33] In other words, trade within China was substantial and had already been well-developed. It was external trade which was not. Nevertheless, institutions, such as banking and transportation, which served the traditional internal trade markets and existed outside of the government-controlled sphere were already in place to facilitate foreign trade. Certainly the lack of a strong central authority to impose order hindered economic growth. However, state intervention in the economic life of China was quite limited anyway, partially because of the above mentioned power void. One exception was the treaty ports where many of the infant native industries were located and where they enjoyed a greater degree of protection from foreign rule than they would have in Chinese-ruled territory. Therefore, many of the producer industries were able to function and prosper without much aid of any type from a Chinese government, a situation to which they were accustomed.

Rawski can be considered a revisionist; he explicitly states that

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[32]Ibid., 24.

[33]Rawski, Economic Growth in Prewar China, xxv.

> Historians often portray the prewar decades as a period of stagnation or decline during which growth and technological change proceeded in only a few isolated enterprises and localities and offered scant benefit to the economy at large.[34]

However, another person who held opinions similar to Rawski's, Julean Arnold, the United States commercial attaché and foreign service officer in China for thirty-eight years, was not considered to be heterodox. During Arnold's lifetime, the idea that China was a growing, developing economic entity with great potential prevailed.

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[34]Ibid., xxix.

CHAPTER THREE

CONTEMPORARY PERSPECTIVES

Most Americans who lived in China during the first half of the twentieth century agreed that China was making good progress toward economic modernization. John B. Powell, journalist and longtime Shanghai resident, gave his optimistic evaluation of the situation in 1926 China. He wrote in the periodical which he edited that although China had its problems, it was not the complete disaster that some made it out to be.

> It is not to be denied that China is seriously disturbed, but despite this fact the majority of China's four hundred millions continue to eat what food is available, wear clothing, build houses, and get along as well as they can under the circumstances.[35]

Powell believed that the Chinese economy was continuing to improve stating that "the Customs statistics show that the trade of the country [was] constantly increasing and any visitor to Shanghai, Tientsin, Canton, Hankow, or even in the interior of the country, can see that improvement is going on."[36] Furthermore, Powell was convinced that

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[35]John B. Powell, "Mr. Julean Arnold and Conditions in China," China Weekly Review (Shanghai), April 24, 1926, 188-9.

[36]Ibid.

> If conditions in China had been normal in this period the development of China and of China's foreign commerce doubtless would have been much greater, but the facts stand for those who will take the trouble to read, that the country has developed despite the disorder, which is a most encouraging situation in that it shows that there is life and hope in the Chinese people and that given stable conditions the possibilities are practically boundless.[37]

In John Powell's view, the Chinese economy was not only surviving but also advancing despite political disorder and warfare and that those qualities responsible for the moderate amelioration of the economy would, under peaceful conditions, elevate China to new heights.

Carl Crow, who operated an advertising agency in China in the early twentieth century, provided a different perspective, albeit no less hopeful than John Powell's, in his book, 400 Million Customers, which described his experiences in China. As one whose occupation involved selling various consumer products to the Chinese people, he was intimately concerned with China's acceptance of western products. In this respect, he believed that

> The Chinese were a long time making up their minds that they wanted any of the modern articles manufactured by the West, but once they started buying they found that they wanted everything they could afford to buy and a good deal more.[38]

This statement represented an idea that permeated his book,

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[37]Ibid.

[38]Carl Crow, 400 Million Customers (New York: Harper and Brothers, 1937), 310.

the successful adaptation by the Chinese not only to foreign merchandise, but also to new ideas and new methods of doing things if beneficial.

Like so many others hoping to profit from peddling merchandise to the Chinese, he "secretly [cherished] the thought that a reasonable number of the 400 million may buy our goods next year."[39] In this statement, Crow concisely summed up why many Americans were so interested in China.

Arthur N. Young, a financial adviser to the Nationalist government from 1929 to 1947, also had a positive opinion of economic progress in prewar China. He believed that "the accomplishments of Nationalist China were impressive under the extremely difficult conditions prevailing in the prewar decade 1927 to 1937."[40] In his judgement, people have focused mainly on political developments during these years at the expense of the financial and economic developments, which "were of first importance but have been neglected or, when discussed, have often been incorrectly presented."[41]

While Young conceded that "the economy as a whole showed little growth in the decade [from 1928 to 1937] because of the great weight of traditional agriculture,

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[39]Ibid.

[40]Arthur N. Young, China's Nation-Building Effort, 1927-1937 (Stanford: Hoover Institution Press, 1971), vi.

[41]Ibid.

handicrafts, and transport,"[42] he asserted that the Chinese economic picture was good. Techniques to improve agriculture were in the process of implementation, industry had already made good progress, and modern structures such as banking, capital markets, a nation-wide market, and communications were becoming established.

However the advancements of the "Nanking decade" that led to "China's promising outlook in mid-1937" were, Young maintained, "tragically interrupted by Japan, when on many fronts there had been great progress, with signs of further progress rather than collapse."[43] Young asserted that from the institution of currrency reform in November 1935 until the outbreak of full-scale conflict with Japan in July 1937, "China enjoyed unprecedented progress."[44] In addition, he described the formation of plans for river conservancy, irrigation and drainage, port improvements, railways, roads, airways, telecommunications, agriculture, industry, and defense . . . which were often quite detailed."[45] Unfortunately, the war with Japan derailed these ambitious plans. He claimed that "these plans . . . deserve credit for providing the nucleus for much that the Communists later

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[42]Ibid., 429.

[43]Ibid., v.

[44]Ibid., 387.

[45]Ibid., 388.

accomplished.[46] In this respect, Young's views agree with Rawski's in that the basis for China's economic progress during the 1950s and beyond was laid during the prewar decades.

Young blamed the war with Japan for causing deterioration in the Chinese government, leading to the corruption and inefficiency for which the government was much criticized. "The disruption and suffering of over eight years of bitter warfare explain much. For more than half of this time, China confronted alone and with little outside aid an enemy far stronger than herself."[47] In contrast to Douglas S. Paauw, Young downplayed the effects of corruption and inefficiency. While admitting that these two problems existed, he did not believe that they were a debilitating problem.

> The corruption and inefficiency I observed in China during the prewar decade were certainly no worse than what I found in other less developed countries where I have worked. In many respects, indeed, the situation in China was better, and notable progress was being made . . . Many leaders and officials at every level were trying, often with much success, to improve public administration and eliminate abuses.[48]

He explained that the infant Kuomintang government understandably was not strong enough to stand the strain of

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[46]Ibid.

[47]Ibid., vii.

[48]Ibid., vi.

such an exhausting war without incurring significant difficulties. He furthermore considered the aid given by the United States and other allies to China insufficient and tardy.[49]

Young also mentioned that viewpoints of contemporary observers, by 1937, were generally very positive toward China's progress. He quoted the American ambassador, Nelson Johnson, as stating, "An observer . . . cannot but be impressed by the energy with which the Chinese government is pushing its program of economic reconstruction on all fronts, agricultural, industrial and communications."[50] In addition, he cited a complimentary statement from the British commercial counsellor: "That Chinese private interests can adapt themselves to modern economic needs is shown by the growth of a number of enterprises."[51] He also referred to a positive comment from a British publication, the Economist, which declared that "the financial and economic condition of the country has been distinctly improving."[52]

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[49]Ibid., vii.

[50]Ibid., 419.

[51]G. C. Allen and A. G. Donnithorne, Western Enterprise in Far Eastern Economic Development: China and Japan (London, 1954), 28-29 quoted in Young, China's Nation-Building Effort, 1927-1937, 420.

[52]Economist, July 24, 1937, 111-112 quoted in Young, China's Nation-Building Effort, 1927-1937, 420.

However, Young did mention that during the early years of the Nanking decade, American diplomats and State Department officials did not think highly of the economic progress being made under the Kuomintang's administration. He brushed aside their criticisms by claiming that because these diplomats resided in Peking, they did not witness for themselves the progress that was being made in the southern portion of the country where the focal point of modernization and development was located.[53]

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[53]Young, China's Nation-Building Effort, 1927-1937, 418.

CHAPTER FOUR

RELATIONS BETWEEN THE UNITED STATES AND CHINA

Julean Arnold can be considered a member of what Michael H. Hunt calls the "open door constituency, . . . a set of interest groups--American businessmen, missionaries, and diplomats--with a common commitment to penetrating China and propagating at home a paternalistic vision . . . of defending and reforming China."[54] This loose alliance of people exerted a strong influence on American policy toward China for much of the nineteenth and twentieth centuries. The United States's policy toward China during the nineteenth and the first half of the twentieth centuries was a mixture of paternalism, idealism, and self-interest.

Early on merchants occupied the "dominant position in the open door constituency."[55] The attraction of the China market was readily apparent to Americans, especially those interested in exporting their products. For example, in the late nineteenth century, Western Union Company made an attempt to link the United States and China by telegraph.

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[54]Michael H. Hunt, The Making of a Special Relationship: The United States and China to 1914 (New York: Columbia University Press, 1983), xi.

[55]Ibid., 143.

It cited the possibility of adding more than 420 million customers as the motivating factor.[56]

It would, however, be unfair and untrue to attribute the lure of profit to be the sole motivation for becoming involved with China. The United States of that period considered its relationship with China to be "special." America regarded itself, even if China did not, as China's selfless protector against the European and Japanese imperialists and as a benevolent instrument for reforming China from its backward condition. "This vision of a special American role in China incorporated yet transcended specific economic and mission interests,"[57] Hunt argues.

This attitude did not, however, stop the official representatives that the United States stationed in China from strongly supporting merchant interests, because, in addition to the obvious financial benefit, they also regarded this backing as a means to help uplift the underdeveloped Chinese. According to Hunt, "in the legation's view, U.S. economic enterprise occupied an important, arguably even the central, role as a force for progressive change in China."[58]

In this promotional capacity, American diplomats, from

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[56]Ibid., 146.

[57]Ibid., 170.

[58]Ibid., 273.

the outset of trade with China,

> Maintained an unflagging enthusiasm for the contribution American economic enterprise--the building of railroads and telegraphs, the opening of mines, an expanding volume of trade--would make to China's awakening as well as to increased American influence.[59]

However, for two decades, from the 1860s to the 1880s, American exports dropped significantly, eroding the importance of commerce. Later, a surge in exports, chiefly cotton and kerosene, during the 1880s and 1890s helped revive American excitement about the potential of the China market. However, trade with China fell into another slump and some American exporters abandoned the market, though their official representatives in China did not.

> After the Russo-Japanese War, organized exponents of the China trade grew quieter as they began to recognize that China was a poor market for most American finished goods and that Japan was a larger and more promising one. It now fell to the foreign service to keep the myth of the China market alive.[60]

The United States foreign service in China had long been staffed by amateurs. After the establishment of a permanent legation in Peking in 1860, missionaries assumed a large role in guiding the diplomatic effort. In fact, two missionaries, S. Wells Williams and Chester Holcombe, served as chargé for most of the next two decades.[61] Even after

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[59]Ibid., 171.

[60]Ibid., 275.

[61]Ibid., 169.

China specialists assumed direction of the legation, its efficacy was hampered by appointments of political favorites with no particular qualifications for service in China, a shortage of staffers (especially interpreters), and a lack of funds. Still, no matter who managed the United States diplomatic affairs in China, the legation consistently maintained the view that it was the "duty of Americans to see to China's regeneration. As reformers and guardians they would have to guide a weak China . . . through turbulent times."[62] The better-trained, professional twentieth century diplomats would continue their predecessors' reformist demeanor without forgetting the importance of commercial interests.

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[62]Ibid., 170.

CHAPTER FIVE

JULEAN ARNOLD BIOGRAPHICAL INFORMATION

Julean Herbert Arnold was born July 19, 1876 in Sacramento, California. After his graduation from the University of California in 1902, he took a job as a student-interpreter in Peking, becoming the first person hired for this position, and began learning the Chinese language. After a year and a half of language studies, he began steadily advancing through the ranks of the State Department's foreign service, serving in different locations in China and Taiwan. He attained the position of consul general in 1914 before accepting a newly-created post, commercial attaché for China, with the Commerce Department. Arnold stayed in this posting until he retired in December 1940.[63]

Arnold was generally well-regarded by his colleagues and by the small portion of the American public that paid attention to China. His assistant for more than a decade, A. Bland Calder, praised his boss as one who "has performed a service of inestimable value in interpreting America to

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[63]Julean Arnold's biographical information is derived mainly from his papers at the Hoover Institution Archives, Stanford, California.

the Chinese so that they might . . . be inspired . . . to adopt some of our methods."[64] Reader's Digest offered Arnold, who was recommended to it as the "greatest authority in [the United States] on Future Commercial Potentialities of China," $500 to write an article on Chinese trade relations which they planned to publish in 1943.[65] The Washington Post wrote a story based on a speech given by Arnold and described him as "the Government's ultimate expert on the economic affairs of [China]."[66]

He was also friendly with Stanley Hornbeck, the long-time head of the Far Eastern Affairs desk of the State Department. Arnold often sent copies of his articles and speeches to Hornbeck, who replied cordially and respectfully. After receiving a copy of one of Arnold's artciels, he responded,

> I have received the copy of Some Bigger Issues In China's Problems, which you were so kind as to send me, and I want to express my thanks to you for it.
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> I have read the book carefully. It gives the best concise exposition of China's situation and needs, dealt with in a frame of mind appreciative of what China has but cognizant sympathetically of what she has

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[64]A. Bland Calder, address delivered to the Institute of International Relations at Riverside, California on December 17, 1931, Hoover Institution Archives, Alonzo Bland Calder Collection, Box 1.

[65]DeWitt Wallace, letter from the co-editor of Reader's Digest to Julean Arnold dated November 30, 1942, Hoover Institution Archives, Julean Arnold Collection, Box 1.

[66]"Opium Pipe Perils China," The Washington Post, November 27, 1941.

not, that I have seen anywhere.[67]

The tone of this reply was typical of letters sent from Hornbeck to Arnold acknowledging the latter's writings and speeches. With feedback such as: "It is constantly gratifying to me to know that you continue to fight the good fight,"[68] Arnold no doubt felt encouraged to continue sending Hornbeck copies of his articles and speeches. These two Sinologists had similar views of China and of United States policy regarding China.

Hornbeck also aided Arnold significantly in various ways. He protected Arnold from their State Department colleagues just before Arnold's retirement. At that time, the overseas offices of the commercial attaché were transferred from the Commerce Department to the State Department. Arnold, who had a long-running conflict with the State Department that began when he transferred out of it in 1914, decided to resign and criticized the change. This criticism, of course, only further estranged him from the State Department. Hornbeck fended off Arnold's attackers with an admonition to leave him alone, something which he was certainly not obligated to do.

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[67]Stanley Hornbeck, letter to Julean Arnold dated November 26, 1928, Hoover Institution Archives, Stanley K. Hornbeck Collection, Box 19.

[68]Stanley Hornbeck, letter to Julean Arnold dated February 18, 1942, Hoover Institution Archives, Stanley K. Hornbeck Collection, Box 19.

> Arnold has been a long time in the service and, whatever may be warranted by way of criticism, he has done much that has been useful. It seems to me that the Department might well refrain from anything in the nature of 'rubbing things in' especially on a man who is fast approaching retirement age.[69]

In addition, when Arnold's son, Harrison, who worked for the Ford Motor Company in Shanghai, was detained by the Japanese after Pearl Harbor, Arnold turned to Hornbeck, at that time a State Department adviser on political relations, for help.[70]

Despite his vast experience and recognized knowledge, Julean Arnold did not have an influential voice in directing American policy toward China. The main reason for his lack of influence was the narrow scope of his official responsibilities. Furthermore, Arnold himself did not feel that policy-making was a part of his job. From his subordinate in the Shanghai office of the Commerce Department, A. Bland Calder, one can see what they regarded as their mission in China.

> We in the trade promotional work of the Department of Commerce are not so concerned in the solution of these diplomatic problems and political issues, as in current situations. We perform informational and advisory services helpful to the conduct of present trade, rather than indulge in activities designed to alter the

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[69]Stanley Hornbeck, memo dated October 31, 1939, Hoover Institution Archives, Stanley K. Hornbeck Collection, Box 19.

[70]Julean Arnold, letter to Stanley Hornbeck dated August 7, 1942, Hoover Institution Archives, Stanley K. Hornbeck Collection, Box 19.

conditions of trade."[71]

When Arnold did have something to say about American policy towards China, he took unpaid leave of absences to go on speaking tours of the United States and to write articles and pamphlets. He was generally careful to state that his opinions should be seen as coming from an informed private citizen rather than from someone acting in an official capacity.[72]

He was an energetic and dedicated bureaucrat who did his job well, but did nothing particularly extraordinary. After his retirement, Arnold devoted much of his time and effort to promoting a pro-China foreign policy by delivering speeches, writing articles, and giving interviews. However, despite his thirty-eight years of service in China, his work on the economic state of China during the first four decades of the twentieth century has been mostly overlooked since

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[71]A. Bland Calder, "American Trade Developments in the Orient" (paper prepared for the Institute of International Relations at the University of Washington, July 22 to 29, 1928), Hoover Institution Archives, Alonzo Bland Calder Collection, Box 6.

[72]Arnold's typical disclaimer: "The above summary of conditions in China concerning America and American interests was compiled by Julean Arnold while on an extended leave of absence in this country. The opinions and sentiments expressed are personal and are not intended to imply a reflection of the ideas or opinions of any of our Government departments or representatives." from "China's Fate and America's Future," April 22, 1939, Hoover Institution Archives, Stanley K. Hornbeck Collection, Box 19.

that time. Economic studies of China during this period appear to have ignored his work.[73] In addition, his name has not appeared in other histories of this period either. Julean Arnold seems to be a forgotten person as far as history is concerned.

Instead, Julean Arnold's significance stems from what he did on the job. Arnold was not only in an excellent position to observe the economic situation of China firsthand, but his timing was fortuitous as well. He was stationed in China during a period of tremendous change. Economically, China evolved from a country whose industries were almost entirely small handicraft operations to one which had the beginnings of large-scale modern industries. Moreover, his job as commercial attaché required him to report on the economic conditions in China especially as it pertained to possible American export opportunities. As a result, he compiled numerous reports and collected enormous amounts of data concerning China's economic affairs.

Arnold's remarkably orthodox views also help make him an excellent observer from which to view American perceptions of China, particularly in the economic areas. In addition, Arnold was incredibly consistent in his opinions. Examination of his papers at the Hoover

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[73]Only one reference to Julean Arnold's work was found by the author -- in the bibliography of Thomas Rawski's Economic Growth in Prewar China.

Instituion Archives shows no modification of his views during his thirty-eight year tenure in China. After his retirement in 1940, he continued espousing the same ideas and policies as he did on the job.

Americans during the nineteenth and early twentieth centuries seemed to have traveled to China mainly for two reasons: money and God. Arnold's work and private papers reflect a man who was very single-minded about promoting American trade with China which was, after all, his job. Further, he showed little if any interest in religion, at least in the public arena, in contrast to the many missionaries who went to China. There are numerous accounts written by these missionaries, but few by those concerned primarily with making money. Consequently, as a profit-minded chronicler, Julean Arnold becomes an even more valuable observer of prewar China.

The onetime commercial attaché was an extraordinarily vigorous man and known as a prodigious hiker. During his years in China, he walked all over the country. To give an illustration of his hardy constitution, during a leave in 1910 he took a tour through China's interior. From May through August of that year he traveled 1200 miles, walking more than half of that distance.[74]

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[74]Julean Arnold, Reports on Tour across West China (December 3, 1910), 1-2, Hoover Institution Archives, Julean Arnold Collection, Box 4.

The Oregon Sunday Journal in a lighthearted article titled "Commerce Bureau Speed Demons Ready for Race" also attested to Arnold's physical prowess. The article describes the prospective race between Arnold, "who fancies himself the toughest thing to come out of China in 20 years,"[75] and the local district manager of the Bureau of Foreign and Domestic Commerce, Howard E. Waterbury, the "Columbia River Comet." Arnold was on a speaking tour in 1938 about the situation in China, when his friend and assistant, A. Bland Calder, suggested that Waterbury challenge Arnold to a walking race after Waterbury had teased Calder in the Bureau of Commerce's house organ, the Fortnightly, about his aversion to traveling on foot. Calder was quoted as saying "Long ago I learned to avoid getting snagged in Julean Arnold's hiking orgies. Bear in mind that on his fifty-umph birthday, he walked fifty-ump miles to celebrate it, besides attending a formal dimmer party the same evening."[76] Incidentally, Arnold was scheduled to give five speeches in Portland, one in Salem, and another in Eugene with more to be scheduled during his five-day visit to Oregon.

One of Arnold's most noteworthy traits was his single-

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[75]Orlando R. Davidson, "Commerce Bureau Speed Demons Ready for Race," Oregon Sunday Journal, October 16, 1938.

[76]Ibid.

mindedness. His fervent dedication to promoting American trade interests in China seemed to shut everything else out at times. An example of his economic preoccupation can be found in a letter dated August 15, 1939 to the Minister of Communications, Chang Kia-ngao, in which he expressed sympathy for the Nationalists' difficulties against the Japanese in the letter's first paragraph. However, in the next paragraph, he revealed his true intent. He wrote "I hope you will not mind a suggestion. There are times when you may be able to put in a word favorable to the purchase of American equipment. Our manufacturers are among our very influential people."[77]

In addition, Arnold also advocated repealing the Chinese Exclusion laws for economic reasons. These laws prohibited the immigration of Chinese nationals and were rescinded in November 1943, an effort with which he was deeply involved.[78] He reasoned that repealing these laws and placing Chinese immigration on a regular quota basis would "build up good will and so offset Japanese propaganda

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[77]Julean Arnold, letter to Chang Kia-ngao dated August 15, 1939, Hoover Institution Archives, Julean Arnold Collection.

[78]Julean Arnold, folder titled "Chinese Exclusion Act" containing numerous letters and other material, Hoover Institution Archives, Julean Arnold Collection, Box 13.

against [the United States]."[79] The Japanese promoted the "Asia for the Asians" slogan to appeal to their fellow Asians who were unhappy about the unequal treatment accorded by the Allied powers. Arnold figured that

> If [the United States handled its] relations with China the way [the United States] should, [Arnold was] convinced that [China] . . . [would] offer . . . vaster opportunities in over-seas trade than [had] any other section of the world during the past years of [America's] existence.[80]

Julean Arnold does not appear to have been an easy person with whom to deal. Arnold, if his papers are an accurate indication, was certain he was always right. Furthermore, he was not the least bit reluctant about sharing his knowledge. For example, in a response to a newspaper story which contained an interview with a Mr. F. J. Deane, who criticized China, he started a sentence with:

> To one who has some knowledge of the background of Chinese history, to one who is sufficiently conversant with the present day situation to appreciate the forces which are working beneath the surface, to one who understands to some degree at least the perplexities of the problems which confront present day China, and to one who knows something of the qualities of mind and

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[79]Julean Arnold, minutes of speech given to the Commonwealth Club of California June 17, 1943, Hoover Institution Archives, Julean Arnold Collection, Box 9.

[80]Julean Arnold, letter to Jesse C. Coleman, President of the Board of Supervisors, City and County of San Francisco dated September 8, 1943, Hoover Institution Archives, Julean Arnold Collection, Box 13.

spirit of the Chinese people,[81]

After his retirement, he felt obligated to continue serving his country by "[taking] the fullest possible advantage of [his] experience and contacts with China and the Chinese to help to elevate American thinking and action in American-Chinese trade and other relations."[82] Those who disagreed with Arnold were characterized by him as spreading "distortions and untruths,"[83] or being "one of that class of superficial observers . . . devoid of the ability to develop what may be called a proper perspective or a good sense of proportions."[84] In response to increasing criticism of China towards the end of World War II, with which he completely disagreed, he went so far as to suggest that the FBI investigate the "anti-Chinese propaganda [which

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[81]Julean Arnold, letter to Mr. D. J. Torrance dated February 18, 1924, Hoover Institution Archives, Julean Arnold Collection, Box 9.

[82]Julean Arnold, letter to William F. Howell, Director of Personnel, United Nations Relief and Rehabilitation Administration dated June 8, 1946, Hoover Institution Archives, Julean Arnold Collection, Box 13.

[83]Julean Arnold, letter to unknown recipient dated July 19, 1944, Hoover Institution Archives, Julean Arnold Collection.

[84]Julean Arnold, letter to Mr. D. J. Torrance dated February 18, 1924, Hoover Institution Archives, Julean Arnold Collection, Box 9.

was] spreading in [the United States]."[85]

[85]Julean Arnold, letter to unknown recipient dated July 19, 1944, Hoover Institution Archives, Julean Arnold Collection.

CHAPTER SIX

JULEAN ARNOLD'S PERSPECTIVES ON CHINA

Arnold repeatedly advocated American intervention to aid China in its struggles with Japan and justified assistance by citing economic reasons. As early as 1917, Arnold expressed serious concern about Japanese actions in China. He cabled a message to the Secretary of Commerce stating that

> American commercial enterprise and American interests are seriously threatened by the present very aggressive attitude of the Japanese toward China. This attitude if allowed to continue, cannot result otherwise than to bring China under Japanese political dominance, and to secure for Japan the control of valuable natural resources both of which will irreparably damage American commercial opportunities in this country.[86]

Therefore, he argued that "it will be necessary immediately to come to China's assistance with a substantial loan for both constructive and war purposes."[87] After the outbreak of war between China and Japan in 1937, Arnold vigorously advocated American intervention to help the beleaguered Chinese. He once again cited economic reasons almost exclusively to justify strong action by the United States.

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[86]Julean Arnold, official communication titled "Japanese Activity in China - Inimical to American Interests" (October 27, 1917), Hoover Institution Archives, Julean Arnold Collection, Box 10.

[87]Ibid.

He believed that if Japan were able to dominate China, then the United States would lose its place in the China market. Arnold responded to an American who believed that Japanese control would restore order to China, thereby benefiting all concerned.

> It has been clearly demonstrated by the 'closed door' policy which Japan has imposed upon Manchuria that [the United States] would suffer badly in trade with [China] were the Japanese war lords able to impose their will upon other sections of China.[88]

In 1939, Arnold stated that the United States had already lost ground. "America has been tobogganed from first to third place in China trade, with heavy reductions in both exports and imports."[89] Later, in a speech given the month before Pearl Harbor, he stated, "Japanese monopolies in China will force all economic and trade developments to flow through Japanese competition . . . thereby forcing [the United States] to get out of China.[90]

He believed that there would be more far-reaching consequences as well because the economic potential of China would make Japan a very dangerous competitor in the world

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[88]Julean Arnold, letter to Mr. A. G. Arnoll, Secretary and General Manager, Los Angeles Chamber of Commerce dated December 6, 1937, Hoover Institution Archives, Julean Arnold Collection, Box 1.

[89]Julean Arnold, "China's Fate and America's Future" (April 22, 1939), Hoover Institution Archives, Stanley K. Hornbeck Collection, Box 19.

[90]Julean Arnold, speech given November 24, 1941, Hoover Institution Archives, Julean Arnold Collection, Box 9.

markets, at the expense of the United States. By "monopolizing the economic resources and man-power of China, Japan [would] flood the markets of South America and other countries with its cheap manufactured products."[91] Clearly Arnold felt that Japanese domination of China would have an extremely negative effect on American trade with China and eventually with other countries as well. Furthermore, Arnold predicted that trade with China was "America's biggest bet for post-war rehabilitation."[92] This statement predated the bombing of Pearl Harbor and the subsequent American entry into war.

Arnold was also an enthusiastic promoter of the notion that the Pacific and not the Atlantic would become the dominant region of the twentieth century. He was fond of quoting William H. Seward, the former Secretary of State from the mid-nineteenth century, as proclaiming,

> Who does not see, that every year hereafter, European commerce, European politics, European thought and European activity, although actually gaining greater force, and European connections, although actually becoming more intimate, will nevertheless, relatively sink in importance, while the Pacific . . . will become the chief theater of events in the world's great hereafter.[93]

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[91]Ibid.

[92]"Opium Pipe Perils China," The Washington Post, November 27, 1941.

[93]Julean Arnold quoting William H. Seward in a speech given November 24, 1941, Hoover Institution Archives, Julean Arnold Collection, Box 9.

Arnold's own words were no less zealous:

> The day will come and sooner than Americans will realize when the great arena of the world trade will have shifted from the Atlantic to the Pacific, because the Pacific regions carry the bulk of the world population now entering upon an era of modern development."[94]

In fact, Arnold believed that a Japan-dominated China, "[would] prove even more disastrous to the United States than a German-dominated Europe"[95] and wondered why the United States "[showed] more concern over the taking of a few hundred square miles in Europe by a European power than [the United States manifested] toward what constituted a major threat to [America's] entire civilization."[96]

Of the nations in Asia, he, not surprisingly, believed that China, the most populous as well as rich in natural resources, possessed the greatest potential of the countries in the region. Arnold demonstrated his bullish stance on the future of American trade with China with statements such as this one from 1924:

> Considering the tremendous changes which [the Chinese] are undergoing and the institutions of centuries which

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[94]Julean Arnold, letter to Captain Robert Dollar, proprietor of a Shanghai steamship company, dated March 4, 1919, Hoover Institution Archives, Julean Arnold Collection, Box 9.

[95]"Opium Pipe Perils China," The Washington Post, November 27, 1941.

[96]Julean Arnold, "China's Fate and America's Future" (April 22, 1939), Hoover Institution Archives, Stanley K. Hornbeck Collection, Box 19.

> they are obliged to scrap in their developments [sic] of a modern political and economic system, it would, in my opinion, be dangerous if they were progressing much more rapidly.[97]

He remained consistent to this early-formed judgement, stating after his retirement that "the opening of China to free trade by all nations, would present a new and great frontier for modern industrialization."[98] One can almost see the dollar signs in the retired commercial attaché's eyes when he declared that

> A modern China . . . would require tens of billions of dollars of capital expenditures -- "the most alluring investment proposition in the world" -- for railroads, highways, motorized transport, communications, aviation, and principally new factories and new machines, hundreds of thousands of them, to permit China's emergence from a handicraft era into a modern industrial nation.[99]

Part of the reason for his optimism was his appraisal that China had the right ingredients to become a modern industrial nation: people and natural resources. Arnold had a high opinion of Chinese workers. China's "man-power [was] inherently industrious and intelligent. It [was] receptive. It [possessed] good mechanical instincts. It [was] eager to raise its economic levels above threats of

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[97]Julean Arnold, letter to Mr. D. J. Torrance dated February 18, 1924, Hoover Institution Archives, Julean Arnold Collection, Box 9.

[98]"Opium Pipe Perils China," The Washington Post, November 27, 1941.

[99]Ibid.

famine and disease epidemics."[100] As for natural resources, he cited iron ore, tungsten, antimony, tin, tung oil, vegetable oils, furs, and hides[101] as some of the indigenous materials useful for industry or export.

Not only did China's future appear bright to Arnold, he also strongly believed that China's drive to modernize had already made good progress. Admittedly, China had its problems but, according to Arnold, "We should bear in mind that in her transition from an ancient into a modern society, which has been in progress now for only a few decades, China has a herculean task."[102] During his tenure as the commercial attaché in China he consistently expressed approval of China's advancement with statements like:

> As any intelligent observer of the past few years would have been obliged to conclude after a careful survey of the situation, [China] was making marvelous progress toward political, social and economic modernization and consolidation."[103]

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[100]Julean Arnold, "China 'Can Do'" (February 14, 1942), Hoover Institution Archives, Stanley K. Hornbeck Collection, Box 19.

[101]Julean Arnold, official communication titled "Japanese Activity in China - Inimical to American Interests" (October 27, 1917), Hoover Institution Archives, Julean Arnold Collection, Box 10; and "Opium Pipe Perils China," Washington Post, November 27, 1941.

[102]Julean Arnold, letter to unknown recipient dated July 19, 1944, Hoover Institution Archives, Julean Arnold Collection.

[103]Julean Arnold, letter to Mr. A. G. Arnoll, Secretary and General Manager, Los Angeles Chamber of Commerce dated December 6, 1937, Hoover Institution Archives, Julean Arnold

In 1939, Arnold reasserted this view by stating that "no other country on the face of the earth had made such phenomenal strides in modernization as had China during the past ten years."[104] After World War II had ended, he reaffirmed his belief in China's progress by stating that "the most important fact about China . . . is its modernization."[105]

Arnold believed that the Japanese invasion interrupted the advancements that China had made and that Japan had ruined things.

> Prior to the Japanese invasion, China had already embarked upon a modernization program which promised to give us the world's greatest drama. Japan's short circuiting of China's modernization program is one of the greatest tragedies of history.[106]

In fact, Arnold attributed the timing of Japan's attack to the rapid progress of China.

> One of the underlying reasons that the Japanese war lords considered it imperative that they descend upon their neighbor at this time, rather than to take any chances upon postponing action for fear that a few years hence China would be too strong for them to risk

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Collection, Box 1.

[104]Julean Arnold, "China's Fate and America's Future" (April 22, 1939), Hoover Institution Archives, Stanley K. Hornbeck Collection, Box 19.

[105]Julean Arnold, letter to Royce Brier, columnist for the San Francisco Chronicle, dated September 7, 1945, Hoover Institution Archives, Julean Arnold Collection.

[106]"Opium Pipe Perils China," The Washington Post, November 27, 1941.

a campaign of conquest.[107]

One of the arguments used by detractors of China's disputed modernization is the reluctance of the Chinese state and people to change their traditional ways. Arnold related that when he first arrived in China, he found many foreigners who believed that "the Chinese never, never, never would be able to change."[108] Arnold consistently disagreed with this assessment. In a letter assessing his first twenty-five years in China, he claimed that "as for China itself, the remarkable change comes with the development of a spirit of Nationalism and a receptivity to Western ideas and Western materials."[109] After his retirement, he did not modify his position, flatly stating that "all of China now seethes with the urge to modernization [sic], as does also the rest of the Asiatic world."[110]

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[107]Julean Arnold, letter to Mr. A. G. Arnoll, Secretary and General Manager, Los Angeles Chamber of Commerce dated December 6, 1937, Hoover Institution Archives, Julean Arnold Collection, Box 1.

[108]Julean Arnold, "China 'Can Do'" (February 14, 1942), Hoover Institution Archives, Stanley K. Hornbeck Collection, Box 19.

[109]Julean Arnold, letter to the Director of the Bureau of Foreign and Domestic Commerce, June 7, 1927, Hoover Institution Archives, Julean Arnold Collection.

[110]Julean Arnold, in a speech given November 24, 1941, Hoover Institution Archives, Julean Arnold Collection, Box 9.

From a man of strongly-held opinions, his views on China's war with Japan were among his strongest. He took an extended leave of absence from late 1938 to early 1939 to advocate American intervention on China's side. After his retirement, Arnold continued to press for American action. He believed that Japan's invasion of China would have an extremely deleterious effect on American interests in China.

> The ultimate goal of aggression in China . . . [was] monopolistic control of the economic resources and man power of the country . . . [and the] blasting of American trade, prestige and cultural relations, lock, stock and barrel, off the Asiatic continent.[111]

As a result, he was convinced that continued Japanese aggression against China would prohibit friendly American-Japanese relations. Less than two weeks before Pearl Harbor, he traveled to Washington, D.C. "to tell officials of his profound conviction that so long as Japanese armies are in China, peace with the United States is impossible."[112] Besides being certain that war with Japan was inevitable, he also forecast that if China were to survive the war with Japan, "China should become our best customer in post-war economic recovery, taking enormous quantities of industrial and transportation equipment now

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[111]"Opium Pipe Perils China," The Washington Post, November 27, 1941.

[112]Ibid.

employed in defense works."[113]

Arnold believed that Chiang Kai-shek's Nationalists were doing a good job of keeping the economy running and simultaneously conducting the war against Japan. In a letter, written from Chungking to the United States Ambassador Clarence Gauss, evaluating economic conditions of areas that were still controlled by the Nationalist Chinese, he declared that

> Considering the horrendous difficulties under which they have been obliged to work, the Chinese have made astounding progress in developing modern industries in the more remote sections of their country. It is hardly conceivable that any other peoples could have accomplished what has been done considering the obstacles confronting them.[114]

He also thought that the United States should give China more support, materially and otherwise. He felt that the support which the United States had given up to that point was woefully inadequate and that aiding China would best "safeguard [American] interests."[115] After Arnold returned to the United States following his retirement in 1940, he did not change his mind even though he likely heard about official misuse of aid and other corruption. "We are by our

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[113]Julean Arnold in a speech given November 24, 1941, Hoover Institution Archives, Julean Arnold Collection, Box 9.

[114]Julean Arnold, letter to the United States Ambassador to China dated June 4, 1940, Hoover Institution Archives, Julean Arnold Collection, Box 10.

[115]Ibid.

relief helping to keep up the Chinese fighting morale. They are giving tremendously in payment for what they get."[116]

Arnold also felt that China's still backward industrial structure provided a hidden benefit in the war effort. He was "convinced that the small industrial handicraft towns of China will enable the nation to maintain military and economic resistance to the aggressor in the present war."[117] Since the country's industry was still rooted in rural handicrafts, the loss of much of the more modern industry, which was mainly located in the cities and ports taken by the Japanese, would not be catastrophic.

In the following three chapters, Arnold's views on specific, crucial elements of economic modernization, transportation, modern factory industry, and agriculture will be examined. His observations on these components will be compared to previously-discussed perspectives.

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[116]Julean Arnold, letter to Dr. McConaughy dated March 15, 1944, Hoover Institution Archives, Julean Arnold Collection, Box 13.

[117]"Opium Pipe Perils China," The Washington Post, November 27, 1941.

CHAPTER SEVEN

TRANSPORTATION

In 1910, at a time when most Western expatriates stayed in the treaty ports, Julean Arnold traveled through China's remote central and western provinces on the "Great Western Highway." This heavily-utilized road stretched from Peking southwest through Shansi and Shensi Provinces to Chengtu, the capital of Szechwan province.[118] As a result of his journey, which began at Taiyuanfu in southern Shansi and ended at Chengtu, he produced detailed reports on some of what he observed. Of particular interest were those which concerned China's economic conditions. In one of these reports, Arnold related his perceptions of China's transportation systems.

He described China's internal transportation system as chiefly comprising rivers, canals, and cart roads, with only a few rail lines and roads for automobiles. Arnold expressed admiration for the network of internal waterways, stating that "they have served [China] well"[119] in the past. However, he also opined that what formerly sufficed

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[118]Julean Arnold, Reports on Tour across West China, "Transportation in West China," 1, Hoover Institution Archives, Julean Arnold Collection, Box 4.

[119]Ibid.

for China for so long was, in the twentieth century, wholly inadequate.

He complained that "wherever [China] is obliged to resort to overland traffic, it is at a terrific cost, being from twenty to thirty times as expensive as water transportation."[120] In landlocked areas such as the ones he traveled through, transportation of freight for extended distances proved to be economically unfeasible. Consequently, large-scale trade for much of China's isolated interior was nearly impossible. In Arnold's view, this state of affairs seriously hampered China's efforts toward modernization.

Arnold examined the expense of moving material by China's roads, which was accomplished through animal power, either by pulling a wheeled transport, such as a wagon or cart, or by porting a load on its back, or through human labor. In many areas of China, draught animals which were suited for pulling or carrying loads, were scarce because they were not very useful for farming rice, while water buffalos, more compatible for work in rice paddies but not quite so useful for transport tasks, were much more common.[121] Feeding sizeable draught animals was expensive and, "if mules and horses [could not] be used in farming

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[120]Ibid.

[121]Ibid., 3.

operations, one [could not] afford to keep them merely for transport."[122] As a result, animal-powered transportation was not always available, further augmenting the difficulty of conveying material. As an illustration, on the "Great Western Highway," transportation by carts and pack animals dominated traffic in the northern section, but the southern section's freight was carried out of necessity by the usually more expensive coolie labor.[123] Since the southern section passed through rice-growing regions where there were few suitable draught animals, the vast majority of freight had to be carried by human labor.

Arnold found that "the typical cost of cart transportation in the [northern portion of the "Great Western Highway" ranged] between four and a half to eight cents a ton mile.[124] The carrying coolies who [monopolized] the traffic over the southern section of the Great Western Highway [were] paid seven cents a ton mile."[125] He compared the cost of wheat transportation by coolie labor in China to the expense of utilizing an ordinary freight car in the United States and calculated that transportation by rail would cost less than one-tenth

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[122]Ibid.

[123]Ibid., 8.

[124]Ibid., 17.

[125]Ibid.

of transportation by human labor and would certainly be much faster too.[126] This was despite the extremely low cost of unskilled manual labor in China.

The difficulty of transporting goods resulted in wide price variations throughout China. For example, peasants who had a good harvest in one area could not sell their product to another due to the formidable transportation obstacles. Arnold gave an example from his tour observations, relating that in 1910,

> Shansi and Shensi [had] produced the largest wheat crop in their histories, amounting to at least fifty million bushels, but with prices ranging from twenty-five to thirty cents a bushel, it [was] difficult to find an outlet for this enormous crop for it costs half a cent a pound to transport it a distance of but two hundred miles.[127]

Arnold also furnished an illustration of the negative effect of the lack of affordable transportation on the coal industry. He wrote that the provinces of "Shensi and Shansi [were] richer in coal than [was] the State of Pennsylvania." Unfortunately, due to "the lack of proper railway facilities this coal, which [could] be purchased for sixty and seventy cents a ton mined, [found] no market, for it [cost] five dollars a ton to transport it the distance of one hundred miles."[128] He also cited a positive example of a rail line

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[126]Ibid., 18.

[127]Ibid., 19.

[128]Ibid., 21.

stimulating the economy. He asserted that the introduction of a new rail line connecting the city of Taiyuanfu to neighboring provinces had "increased the city's prosperity very materially."[129] Arnold concluded that additional railway service in China would aid tremendously in the development of trade and would benefit everybody, particularly those in regions without access to a navigable waterway.

> All of western China is a land full of riches and needs only a market for its products. When provided with proper railway facilities it will, with the resulting increase in the purchasing power of the masses, open up to the world an immense field for commercial enterprise.[130]

In 1942, the former commercial attaché offered a sanguine evaluation of China's railroads as a potential investment opportunity for American business interests: "I believe that no other country offers equally alluring prospects for investments in railway construction and operation than does free China."[131] He justified his familiar optimism by explaining that "China must have in addition to the meagre 10,000 miles it now has, at least 50,000 miles of new lines. Figuring $50,000 a mile for

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[129]Ibid., 22.

[130]Ibid., 26.

[131]Julean Arnold, "China 'Can Do'" (February 14, 1942), 4, Hoover Institution Archives, Stanley K. Hornbeck Collection, Box 19.

equipment, we have a neat little item of two and a half billion dollars."[132]

In addition to railroads, Arnold also discussed another component of modern transportation, motor vehicles. During his 1910 tour of west-central China, he did not mention the existence of roads for cars and trucks probably because he did not come across any. However, the situation had changed by 1939 when he remarked that "during the past decade China [had] constructed 80,000 miles of highways, mostly in sections of the country which previously had had no roads."[133] A few years later, in 1942, he stated that China currently had "less than 100,000 miles of roads over which there [were] being driven no more than 75,000 automobiles of all sorts,"[134] leading one to assume that roads for motor vehicles were a recent introduction at that time. It seems likely that the reunification of China by the Kuomintang, resulting in a reduction of armed conflict, stimulated the building of roads.

Arnold also expressed enthusiasm about American businesses' participation in this potentially profitable

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[132]Ibid.

[133]Julean Arnold, "China's Fate and America's Future" (April 22, 1939), 2, Hoover Institution Archives, Stanley K. Hornbeck Collection, Box 19.

[134]Julean Arnold, "China 'Can Do'" (February 14, 1942), 5, Hoover Institution Archives, Stanley K. Hornbeck Collection, Box 19.

area. He referred to government plans to construct additional automobile routes (probably the same plans that Arthur Young alluded to earlier) of "several hundred thousand miles with provision for coordination with railroads and waterways."[135] Arnold also judged that China's quantity of motor vehicles was insufficient,[136] estimating that China would need "millions of motor vehicles for the highways necessary to her economic transportation."[137] Fortunately for the United States, approximately "80 percent of the 75,000 motor cars in China [were] American,"[138] giving American car makers a decided advantage in future sales.

In the set of reports generated from his 1910 tour, Arnold also wrote a short account of China's petroleum situation. At the time, China imported almost all of the petroleum-based products that it used. However, the country was not without prospects as far as this key product for transportation was concerned because it possessed plentiful

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[135]Julean Arnold, "China's Fate and America's Future" (April 22, 1939), 2, Hoover Institution Archives, Stanley K. Hornbeck Collection, Box 19.

[136]By comparison, Arnold stated that the United States had 28 million automobiles to China's 75,000. From Julean Arnold, minutes of speech given to the Commonwealth Club of California June 17, 1943, Hoover Institution Archives, Julean Arnold Collection, Box 9.

[137]Ibid.

[138]Ibid.

undeveloped oil resources waiting to be exploited. In northern Shensi, Arnold found that

> petroleum from native wells [was] refined by a Chinese company, the plant having been installed five years ago by a Japanese firm. The supply [was] said to be inexhaustible. The refined oil [was] transported over rough cart roads a distance of 200 miles . . . where it [was] sold in open market.[139]

This was yet another example of the lack of transportation facilities impeding further development of an important ingredient of modernization beyond local markets. From his 1926 handbook for American businesses interested in investing in the China market, one can see that the situation had not improved much in the decade and a half since his tour. He stated that

> oil is said to exist in good quantities in various portions of the country, but the extreme difficulty of transportation and the unsettled conditions which exist in the interior have militated against the development of these resources by either foreign or Chinese interests.[140]

Still, Arnold remained encouraged about China eventually being able to utilize its own oil resources. He stated, in 1942, that "the prospects for developing China's resources in petroleum to the extent of meeting the country's

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[139]Julean Arnold, Reports on Tour across West China, "Petroleum," 1, Hoover Institution Archives, Julean Arnold Collection, Box 4.

[140]Julean Arnold, China: A Commercial and Industrial Handbook (Washington: Government Printing Office, 1926), 86.

requirements are fairly good."[141] Until that time, however, China imported oil (of which, in 1923, half of its fuel oil, used by ships, and a third of its gasoline came from the United States).[142]

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[141]Julean Arnold, "China 'Can Do'" (February 14, 1942), 4, Hoover Institution Archives, Stanley Hornbeck Collection, Box 19.

[142]Julean Arnold, China: A Commercial and Industrial Handbook, 89-90.

CHAPTER EIGHT

MODERN MANUFACTURING

In 1910, when Julean Arnold took his excursion in west-central China, he did not find many signs of an industrial revolution sweeping through the remote hinterlands of China. He did, however, manage to locate several modern factories that had recently begun operations.

One of the few was a cotton spinning mill in Honan which was "one of the few purely Chinese industrial concerns north of the Yang-tsz."[143] Arnold wrote that he was "informed that the mill [was] not well managed, but that its profits [were] so great that it [could] pay dividends in spite of its poor management."[144] He explained that "its capacity [was] fifty bales a day, but during the summer of [1910] it produced an average of but thirty bales a day."[145] There was, evidently, little competition at that time in the mill's region and cotton bales could not profitably be brought into the area. These two factors

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[143]Julean Arnold, Reports on Tour across West China (December 3, 1910), "Cotton," 1, Hoover Institution Archives, Julean Arnold Collection, Box 4.

[144]Ibid.

[145]Ibid.

secured the mill's advantageous position in the market place. Transportation impediments, in addition to benefitting the mill, also restricted operations because this particular mill could only use cotton grown in nearby regions.[146]

Arnold also described a match factory in Shansi which received its impetus from the Taiyuanfu municipal government. This province produced large quantities of sulphur, a major ingredient for making matches and its officials did not wish to continue importing matches from Japan when the province furnished the principal component. Consequently, the government decided in 1902 to build a match factory and purchase the necessary machinery overseas. After a false start, "the plant [was at the time of Arnold's visit] operating very successfully, as evidenced by the fact that it recently closed a contract with a Tientsin firm to supply it with . . . matches."[147] This anecdote furnishes an illustration of what Rawski terms "import substitution," one of the preliminary industrialization stages, where a native industry emerges to produce a less expensive replacement for an imported commodity.

Arnold also described the introduction of the modern

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[146]Ibid.

[147]Julean Arnold, Reports on Tour across West China (December 3, 1910), "Foreign Goods," 1-2, Hoover Institution Archives, Julean Arnold Collection, Box 4.

flour mill in China. According to Arnold, before 1900, "all the native flour in China was produced in native mills and family grinding stones."[148] Since the turn of the century, however, "rapid progress [had] been made during the past years"[149] in the installation of modern roller mills. Arnold determined that by 1909 there were forty modern flour mills in China: twenty in Manchuria, fourteen in the Shanghai area, and six in the Hankow region.[150]

He reported that the greatest concentration of modern flour mills was in the Shanghai area. Additionally, the flour mill industry was among the first indigenous industries to establish itself in China's center of industrialization. "The Shanghai mills, fourteen in number including those in the Shanghai vicinity, make up one of the leading native industries of that section of the Empire."[151] These mills had a profound effect on their surrounding areas, stimulating the production of wheat as a cash crop. "The rapid growth of the modern milling industry at Shanghai encouraged the raising of wheat in the adjacent

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[148]Julean Arnold, Reports on Tour across West China (December 3, 1910), "Flour in China," 3, Hoover Institution Archives, Julean Arnold Collection, Box 4.

[149]Ibid., 3.

[150]Ibid.

[151]Ibid.

country."[152] In addition, some of those regions which were connected with Shanghai through accessible transportation also experienced a similar impact.

> Shanghai mills also [received] much of their wheat from Shantung and Honan Provinces, the former of which has during the past few years greatly increased its wheat growing area owing to cheap transportation facilities accorded by the recently completed Shantung railway."[153]

The emergence of modern flour milling in the Shanghai area turned the port of Shanghai into a major shipper of flour. Arnold reported that in 1899, Shanghai shipped 130 barrels of flour to North China ports (South China traditionally has consumed rice as its staple foodstuff, while wheat has served as one of North China's staples). By comparison, in 1909, Shanghai shipped 500,000 barrels to the same ports and 900,000 barrels to all destinations.[154] In the space of ten years, Shanghai acquired a new industry primarily because of its accessibility and implementation of new technology.

Arnold's impressions of the rise of modern cotton mills in China, specifically around the Shanghai area, support Rawski's assertion about the emanating effect of industrialization. As for Rawski's ideological opposite,

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[152]Ibid., 3-4.

[153]Ibid., 4.

[154]Ibid., 7.

Philip Huang, Arnold's anecdotal accounts do not support or weaken Huang's involutionary industrialization thesis, which is based on peasant incomes.

By 1926, the fast-growing modern flour milling industry of China consisted of "approximately 160 mills with a daily capacity estimated at nearly 270,000 50-pound bags."[155] The American commercial attaché noted that "practically all of the modern mills in China [were] using American machinery."[156]

Another type of modern industry also began to make its presence felt on the market place, the manufacture of cotton cloth. According to Arnold, before the 1895 treaty allowing foreign operation of spinning mills, there were only six cotton spinning mills in China containing 183,000 spindles.[157] After foreign manufactures began operating mills in China, the industry boomed. Surprisingly, it was not the foreign firms that ascended to dominate the Chinese cotton manufacturing industry, though they supplied the impetus; it was the native firms. By 1919, of the fifty-one spinning mills operating in China, forty-two were Chinese-

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[155]Julean Arnold, China: A Commercial and Industrial Handbook, 101.

[156]Ibid.

[157]Ibid., 80.

owned, with 1,073,220 of 1,619,443 spindles.[158] Arnold described what happened:

> The Chinese gradually wormed their way in, with increased capital outlays, and venturing out away from the specially protected treaty ports and foreign concessions, with increasing boldness into the presumably unprotected interior centers of population.[159]

The success of cotton manufacturing in China reduced the amount of imported cotton cloth. There were "noticeable reductions in these importations, due to the growth of the native industry."[160] The development pattern of the native cotton manufacturing industry and the resulting decline in imported cotton cloth in China bolsters Rawski's "import substitution" concept.

Arnold would likely have agreed with Rawski's conviction that the China of the first half of the twentieth century was in the beginning stages of industrialization. Arnold stated that "China [was] evolving from a handicraft to a mechanized stage."[161] As far as China's level of mechanization in 1939, he estimated that China "[had] about

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[158]Ibid., 103-104.

[159]Julean Arnold, "China 'Can Do'" (February 14, 1942), 8, Hoover Institution Archives, Stanley K. Hornbeck Collection, Box 19.

[160]Julean Arnold, China: A Commercial and Industrial Handbook, 267.

[161]Julean Arnold, minutes of speech given to the Commonwealth Club of California June 17, 1943, Hoover Institution Archives, Julean Arnold Collection, Box 9.

the equivalent of 3/4 of a mechanical slave per person, whereas in the United States [had] about 40 mechanical slaves apiece."[162] In the 1926 handbook on China which Arnold produced for the Commerce Department, his statistics on imported machinery of all types showed an upward trend, with stagnation during the First World War, until 1922 when China's economy suffered a slump. His data for machine tools, which may be a superior indication of mechanization because "the growth of the market for machine tools [depended] to a large extent upon the progress made in the installation of modern mills, factories, etc,"[163] showed even more clearly a rapidly escalating trend of mechanization. The following two pages have tables containing figures for imported machinery and machine tools.

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[162]Ibid.

[163]Julean Arnold, China: A Commercial and Industrial Handbook, 99-100.

TABLE 1

VALUE OF IMPORTED MACHINERY OF ALL TYPES INTO CHINA
(In haikwan taels which was equal to
$0.62 to $1.39 gold during this period)

YEAR	TOTAL	FROM U.S., CANADA	PERCENT U.S., CANADA
1913	8,166,023	569,013	7.0
1914	9,262,040	724,496	7.0
1915	4,953,683	751,302	15.8
1916	6,655,448	1,268,284	19.2
1917	6,540,118	1,696,749	25.1
1918	8,339,024	2,646,711	31.9
1919	15,481,828	7,259,868	46.7
1920	24,608,420	7,571,717	30.9
1921	57,804,902	23,154,978	40.8
1922	51,540,643	12,357,285	24.1
1923	28,611,338	4,577,250	16.0

Source: Julean Arnold, China: A Commercial and Industrial Handbook, 98.

Note: The United States carried the vast majority of the trade in the "U. S., Canada" column.

TABLE 2

VALUE OF IMPORTED MACHINE TOOLS INTO CHINA
(In haikwan taels which was equal to
$0.62 to $1.39 gold during this period)

YEAR	TOTAL	FROM U.S., CANADA
1913	51,288	3,773
1914	97,616	11,001
1915	72,811	15,494
1916	97,778	23,403
1917	208,394	40,983
1918	349,108	145,571
1919	499,853	197,859
1920	761,073	305,780
1921	940,337	277,827
1922	657,832	85,323
1923	491,987	88,935

Source: Julean Arnold, China: A Commercial and Industrial Handbook, 98.

Note: The United States carried the vast majority of the trade in the "U. S., Canada" column.

Arnold, as might be expected, had a positive opinion of China's industrialization efforts, feeling that improvements had already been made with the pace increasing and that the Chinese were the ones supplying the impetus. He enthused that the "progress made by the Chinese in their country's modern industrialization during these past few decades has been refreshingly phenomenal."[164] He believed that the Chinese themselves, and not foreigners, were driving the advancements being made. In the heart of industrialization, the Yangtze valley, "about 70 percent of these industries are Chinese-owned."[165] Arnold also agreed with Arthur N. Young about the increased pace of economic development in the two years just before the outbreak of war with Japan. He declared that "China made greater progress in the installation of modern industrial plants during 1936-1937 than at any other time in her history."[166]

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[164]Julean Arnold, "China 'Can Do'" (February 14, 1942), 8, Hoover Institution Archives, Stanley K. Hornbeck Collection, Box 19.

[165]Julean Arnold, minutes of speech given to the Commonwealth Club of California June 17, 1943, Hoover Institution Archives, Julean Arnold Collection, Box 9.

[166]Julean Arnold, "China's Fate and America's Future" (April 22, 1939), 3, Hoover Institution Archives, Stanley K. Hornbeck Collection, Box 19.

CHAPTER NINE

AGRICULTURE

One of the main problems with studying Chinese agriculture and rural conditions during the first half of the twentieth century is the lack of data. Julean Arnold stated in one of his 1910 reports, "As there are no agricultural or industrial statistics compiled by the Chinese government, it is extremely difficult to secure estimates of the amounts of wheat or flour produced in China."[167] As a result, his reporting on this topic usually dealt in generalities and is not well supported by reliable data.

Chinese agriculture was not well regarded during the period of Arnold's tenure. Chinese "scholars, revolutionaries, and officials considered that cities were small islands of modernization in a sea of rural backwardness."[168] Arnold was not impressed either. He stated in his 1910 report on flour that

> Generally speaking the quality of the winter sown wheat produced in China is poor. Scientific seed selection

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[167]Julean Arnold, Reports on Tour across West China (December 3, 1910), "Flour in China," 1, Hoover Institution Archives, Julean Arnold Collection, Box 4.

[168]Myers, The Chinese Peasant Economy, 14.

> or in fact any sort of seed selection seems to be unknown to the Chinese.[169]

He also expressed his disdain for Chinese agricultural techniques by writing that "[Manchuria and Eastern Mongolia] should be capable of 300,000,000 to 400,000,000 bushels of wheat even with native methods of cultivation."[170]

Despite a subsistence level standard of living for the majority of its peasants and its low level of agricultural expertise compared to western nations, China increased its cultivation of cash crops and, for certain products, was able to generate a surplus for export. In the table showing American flour imports at the end of this chapter, one can see that in 1908, imports begin to drop. China, between the years 1915 and 1921, became a net wheat flour exporting country, reversing a trend that began sometime in the nineteenth century.[171] China also became a huge producer of cotton which served its home market. "The tendency in west China is to increase the cultivation of cotton, as it is found to be a profitable crop."[172] However, this

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[169]Ibid., 3.

[170]Ibid., 2.

[171]Julean Arnold, China: A Commercial and Industrial Handbook, 69; and Julean Arnold, Reports on Tour across West China (December 3, 1910), "Flour in China," table I, Hoover Institution Archives, Julean Arnold Collection, Box 4.

[172]Julean Arnold, Reports on Tour across West China (December 3, 1910), "Cotton," 4, Hoover Institution Archives, Julean Arnold Collection, Box 4.

anecdotal information does little to illuminate rural conditions and provides no aid to test Huang's hypotheses.

One can, however, determine Arnold's sentiments about the situation of the peasantry. He believed that "better conditions among the masses were reflected in steadily increased purchasing power."[173] In addition, he also asserted that "improvements among rural masses during the years 1932-1937 were a striking factor in effectively combating Communistic activities."[174] His opinions on this topic definitely agree more closely with Rawski's than with Huang's.

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[173]Julean Arnold, "China's Fate and America's Future" (April 22, 1939), 3, Hoover Institution Archives, Stanley K. Hornbeck Collection, Box 19.

[174]Ibid.

TABLE 3

IMPORTS OF AMERICAN FLOUR INTO CHINA

YEAR	LBS. FLOUR
1899	100,142,700
1900	117,521,400
1901	161,998,500
1902	141,708,000
1903	104,494,300
1904	128,184,300
1905	124,441,900
1906	237,807,400
1907	588,584,400
1908	234,124,000
1909	79,580,300

Source: Julean Arnold, Reports on Tour across West China (December 3, 1910), "Flour in China," Table 1, Hoover Institution Archives, Julean Arnold Collection, Box 4.

CHAPTER TEN

JULEAN ARNOLD'S DEMISE

Julean Arnold died July 21, 1946 in unfortunate and puzzling circumstances. He jumped from the seventh floor of the Hotel 2400 in Washington, D.C. The reasons for his suicide are unclear.

According to the New York Times obituary, Arnold was despondent over his lack of activity.[175] However, his papers indicate that he was still busying himself with giving speeches and writing articles about China as well as helping the United Nations Rehabilitation Administration. During the final week of his life, he finished revising another article for publication. His article, "If I Were a Chinese," contained his usual suggestions for rebuilding China, explanations about how important China was to the United States and exhortations for the United States to assist.[176] His correspondence with the journal's editor from that week contained only innocuous messages about revisions, suggestions, and the like. Neither his article

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[175]"Julean Arnold Ends Life," New York Times, July 22, 1946.

[176]Julean Arnold, "If I Were a Chinese" (revised draft July 19, 1946), Hoover Institution Archives, Julean Arnold Collection, Box 2.

nor his letters showed any sign of despondency or anything out of the ordinary. In fact, he informed the editor that he planned to leave Washington to return to his home in Berkeley on July 22, which turned out to be the day after he committed suicide.[177]

In a letter which Arnold's widow wrote to their son, Millard (who then relayed excerpts of her letter to two of his father's friends from Shanghai, A. Bland Calder and John B. Powell), less than a month after the suicide, Mrs. Arnold referred to a suicide note which her husband had written. Although it is not entirely clear what the suicide note said, she speculated from its contents that the former United States commercial attaché to China, by not signing the Manchurian Manifesto,[178] "felt that he had been disloyal to his own convictions and felt that only by his death could he prove his loyalty to his country - enforcing

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[177]Julean Arnold, letters to Mrs. G. Clarke, editor of National Reconstruction Journal (affiliated with the China Institute in America), July 10-20, Hoover Institution Archives, Julean Arnold Collection, Box 2.

[178]The "Manchurian Manifesto" originated by John B. Powell and Alfred Kohlberg in 1946 criticized the lack of support given by the United States to the Chinese Nationalists in their struggle with the Communists, emphasized the importance of China to the United States's interests, and decried the Soviet Union's interference in Manchuria. Arnold concurred with the basic premises, but did not feel he should sign because of his previous official standing. Source: Julean Arnold, letter to Alfred Kohlberg dated April 18, 1946, Hoover Institution Archives, Julean Arnold Collection.

the manifesto more than his signature could possibly have done."[179]

Mrs. Arnold also mentioned that Julean, Jr., believed that health problems may have contributed to his father's death. Arnold had suffered head injuries in an auto accident earlier that year which compounded the problems he had been experiencing with dizzy spells. Julean, Jr., with more hope than logic, thought that his father had accidentally fallen to his death.[180] With his mysterious suicide, Julean Arnold's previously conventional and productive life ended in an odd and futile fashion.

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[179]Mrs. Julean Arnold, letter to Millard D. Arnold dated August 15, 1946 (excerpted by Millard D. Arnold and sent to A. Bland Calder August 31, 1946), Hoover Institution Archives, Alonzo Bland Calder Collection, Box 23.

[180]Ibid.

CONCLUSION

The intense controversy over the economic development, or lack thereof, of prewar China still continues. Present-day American scholars debate over theoretical issues, such as the character of economic modernization and growth, that transcend the history of any one country.

The attitude of Julean Arnold, the American commercial attaché to China, towards the condition of China's economy matched that of most Americans at that time--optimistic. He believed that China, "the economic paradise, which is the envy of other nations,"[181] not only had tremendous economic potential, but had already made excellent progress toward economic modernization in the early twentieth century until the war broke out with Japan. He stated that others "accused [him] of being an incurable optimist regarding China."[182] However, his views are quite similar to, if more extreme than those of a group of present-day China historians. Ramon Myers and Thomas Rawski are two of this group's more notable representatives. Furthermore, he felt

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[181]Julean Arnold, speech given November 24, 1941, Hoover Institution Archives, Julean Arnold Collection, Box 9.

[182]Julean Arnold, "China's Fate and America's Future" (April 22, 1939), Hoover Institution Archives, Stanley K. Hornbeck Collection, Box 19.

that the United States should help China to modernize, not only out of self-interest, but also out of a sense of paternalism.

In a sense, American views of China have come full circle. The enthusiasm that Americans, like Arnold, showed toward China was replaced by disillusionment about its prewar development after China's disastrous performance against Japan in World War II and the ascendance of the Communists to power. But China's recent resurgence has demonstrated that previous confidence in China emerging as an economic powerhouse with an incredible potential for absorbing exports into its immense market was not unfounded. Furthermore, Arnold's prediction about the rise of the Pacific Rim region as the dominant economic area has been realized.

Perhaps Julean Arnold did not do anything extraordinary or conceive any brilliant, original ideas in the execution of his official duties. But he was, in the words of his friend and assistant, A. Bland Calder:

> So deeply imbued with the vision of the modern development of China in its importance to American trade and to American well being generally that he put untiring effort into compiling facts, figures, and graphs relating to China's economic and trade position.[183]

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[183]A. Bland Calder, address delivered to the Institute of International Relations at Riverside, California on December 17, 1931, Hoover Institution Archives, Alonzo Bland Calder Collection, Box 1.

As a result of his thirty-eight years of efforts reporting on China during one of its most turbulent periods in history, one can gain insight into the prewar Chinese economy and American attitudes about China through this conventional-thinking and narrowly-focused civil servant.

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